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Message Text

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PAGE 01 CAIRO 04095 081316Z

11
ACTION AID-31

INFO OCT-01 NEA-14 ISO-00 TRSE-00 AGR-20 L-03 CIAE-00

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P 081140Z JUN 74
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 7118

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E.O. 11652: N/A
TAGS: ECON, EG
SUBJECT: PL-480 AND AMERICAN UNIVERSITY CAIRO TAX CASE

1. ACTING PRESIDENT OF AMERICAN UNIVERSITY CAIRO (AUC) CECIL BYRD AND BUSINESS MANAGER WILLIAM HARRISON HAVE CALLED ON US TO REQUEST STATEMENT OF PL-480 FUNDS PAID TO AUC SINCE 1963. REQUEST IS OUTGROWTH OF AUC'S DESIRE TO OBTAIN EGYPTIAN INCOME TAX ALLEVIATION FOR ITS EMPLOYEES BASED UPON PROVISION OF PL-480 FUNDS.

2. DURING RECENT MONTHS AN EMPLOYEE OF AUC REFUSED TO PAY TAXES TO GOE CITING PL-480 AGREEMENT. RULING HAS NOW BEEN ISSUED BY TAX OFFICE IN EMPLYEE'S FAVOR AND NOTIFICATION HAS BEEN RECEIVED BY AUC THAT WITHHOLDING OF FUNDS FOR TAX PURPOSES WAS ILLEGAL. THIS CASE NOW HAS IMPLICATIONS FOR OTHER EMPLOYEES, BOTH EGYPTIAN AND FOREIGN NATIONALS. BYRD INDICATES THAT ALL SALARIES AND WAGES OF AUC EMPLOYEES ARE CURRENTLY COMING FROMPL-480 GRANT. IN PAST YEARS THERE HAVE BEEN A FEW OTHER REFUSALS TO PAY TAXES AND TAX OFFICE DID NOT MAKE AN ISSUED OF MATTER. CURRENT CASE, HOWEVER, IS FIRST TIME, ACCORDING TO BYRD, THAT AN ACTUAL RULING HAS BEEN MADE IN FAVOR OF AN EMPLOYEE.

3. BYRD POINTS OUT THAT AUC WILL CONTINUE TO WITHHOLD FUNDS FOR TAX PURPOSES FROM EMPLOYEES IN THE EVENT SITATION IS NOT RESOLVED FAVORABLY, SINCE TO DO OTHERWISE COULD MEAN THAT MAJOR HASSLE WOULD BE INVOLVED LATER IN COLLECTING MONES FROM
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PAGE 02 CAIRO 04095 081316Z

EMPLOYEES. BYRD MAKES POINT THAT IT INCONVEIVABLE GOE TAX

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

OFFICE IS NOT AWARE OF BROAD-GAGE IMPLICATIONS OF ITS ACTION. TOTAL AMOUNT OF TAXES INVOLVED FOR ALL AUC EMPLOYEES IS APPROXIMATELY LE 250,000 A YEAR.

4. BYRD HAS MIXED EMOTIONS ABOUT MATTER. ON ONE HAD HE WOULD LIKE TO OBTAIN TAX RELIEF FOR HIS EMPLOYEES (THUS IN EFFECT GIVING THEM A SUBSTANTIAL PAY RAISE) WHILE ON THE OTHER HAND HE REALIZED THERE MAY BE POTENTIAL PROBLEMS IN THIS ACTION WHICH WOULD DEPRIVE GOE OF SO MUCH REVENUE.

5. THEN, TOO, NEITHER HE NOR WE FEEL THAT ACTION INVOLVING NON-PAYMENT OF INCOME TAXES FOR AUC WAS INTENT OF PROVISION OF PL-480 FUNDS.

6. SINCE AUC MUST AGAIN TAKE ACTION ON ITS PAYROLL ON JUNE 14 REQUEST DEPARTMENT REVIEW SITUATION AND ADVISE US ASAP: (1) WHETHER REQUESTED STATEMENT OF DISBURSAL OF PL-480 FUNDS SHOULD BE PROVIDED TO AUC IN VIEW CIRCUMSTANCES FOR WHICH IT WILL BE USED AND (2) GENERAL READING AS TO INTENT OF USE OF PL-480 FUNDS AND (3) ANY OTHER COMMENTS BELIEVED TO BE RELEVANT.
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